

ERA: Speaking Your Language

CLIENT:	OISE
SECTOR:	Education
COST CATEGORIES:	Office Supplies, Banking Services, Merchant Card Fees, Energy Cost

Whilst OISE teach the complexities of language, Expense Reduction Analysts look into their complex spend portfolios to gain better control and achieve significant savings.

THE CLIENT

OISE Ltd is an international language school with teaching establishments in major cities throughout the UK.

The school's property portfolio has grown organically as the business has expanded rapidly into new locations. Expense Reduction Analysts (ERA) project manager Tony Catling was initially engaged to help review office supplies, banking services and merchant cards and was later engaged to conduct an initial review into energy costs.

THE CHALLENGE

This initial review headed by ERA energy consultant Richard Clayton revealed a typically complex picture of a business with properties in multiple locations and which has experienced considerable expansion. At the outset there were 62 separate meter points split approximately two thirds to one third electricity to gas, supply contracts with ten different energy suppliers and 30% of the premises were out of contract or on domestic tariffs.

After initial data gathering ERA agreed a number of objectives with OISE's project sponsor Birgit Muller. Whilst reducing overall annual expenditure on energy was clearly a key goal, the client was equally determined to rationalise the number of suppliers and thereby simplify the finance and administration function. A plan was then developed with short, medium and long term actions agreed in order to achieve the key objectives.

A staged approach was necessary, given the very wide range of contract terms and end dates. By the end of the first year of engagement the property portfolio had expanded by a further 10 meter points, and 90% of the portfolio had been brought into a group deal with one supplier after a rigorous competitive tender process. Key milestones were measured at this point and it was established that:

OVERALL BENEFITS CAN BE SUMMARISED AS FOLLOWS

- Gaining control and understanding of the complex energy portfolio.
- Consolidation of all sites under one supplier and a coterminous contract.
- Simplified billing and contract administration.
- Reduced costs



"The project of consolidating the supply of gas and electricity for all our sites was rather daunting and would have been very difficult to achieve without the input of Richard Clayton from ERA. Bringing all our accounts in line with each other over a three-year period, the renewals during and after that time as well as the administration of changes during the contract periods could not have been managed more smoothly."

BIRGIT MULLER,
PROJECT SPONSOR, OISE

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Key milestones were measured at this point and it was established that:

- The average unit cost for electricity had reduced from 13.6 p/kWh to 8.1 p/kWh.
- The average unit cost for gas had reduced from 3.85 p/kWh to 2.68 p/kWh.
- Total estimated annualised costs had fallen by £50,700 (30%).
- The supply contract was extended for a further quarter at existing rates during a period of high price volatility.

The integration and consolidation of all sites under one supplier was not without challenges and the second year of ERA's engagement involved considerable work with the chosen supplier to streamline overall account management and rectify billing errors. During this period the remaining sites were folded into the group supply deal. Once again a competitive tender was conducted for the renewal of the Group contract and ERA managed the process for changes of tenancies for utilities where new properties were either acquired or disposed of.

The contract renewal process has been repeated in subsequent years and has resulted in a change of supplier delivering greatly improved contract administration and billing for the client. And despite increases in the wholesale cost of energy average unit costs remain below the baseline costs discovered in the initial review in 2010.

At all stages of this project there has been close liaison between Birgit Muller and Richard Clayton to ensure that the client's objectives are met.

ERA remains engaged for ongoing energy portfolio management.



"Throughout the process, and in particular when we encountered a lengthy period of complicated billing issues with one supplier, Richard has always been extremely available, supporting us at every step. With Richard's help, we have gained a complete overview of our energy requirements, allowing us to control costs not only in terms of the supply itself but also in terms of its administration."

BIRGIT MULLER,
PROJECT SPONSOR, OISE